

A STUDY ON GROWTH OF RETAIL BANKING AND ITS BENEFITS TO BANKS IN INDIA

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ABSTRACT

The concept of retail banking is not new to the Indian banking industry; it is existing from olden days but was at a lower rate, whereas in the recent years, it has grown immensely and became one of the vital services for the banking sectors to survive in Indian economy. In India, both public sector and private sector banks are equally competing with each other towards offering retail banking services at an affordable cost by maximizing profit and also benefited to all types of customers by fulfilling their desired needs. India is also moving towards retail banking innovations and out of total banking lending, retail loans play a vital role in recent years.

India's banking and financial sector is expanding rapidly. The Indian banking industry is currently worth Rs. 81 trillion (US \$ 1.31 trillion) and banks are now utilizing the latest technologies like internet and mobile devices to carry out the transactions and communicate with the masses. The Indian banking sector consists of 26 public sector banks, 21 private sector banks and 40 foreign banks along with 56 regional rural banks (RRBs) and more than 80,000 credit co-operatives. According to the global perspective, it has potentials to become the third largest by 2025. The present study aims to focus on the growth of the retail banking services and its benefits to the banker in India.

KEYWORDS: Retail Banking, Digital Innovation, Growth & Benefits

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INTRODUCTION

The concept of retail banking is not new to the Indian banking industry; it is existing from olden days but was at a lower rate, whereas in the recent years it has grown immensely and became one of the vital services for the banking sectors to survive in Indian economy. In recent years, retail banking has become a key area of strategic emphasis in the Indian banking industry, as evidenced by rising trends in retail loan and deposit shares on commercial bank balance sheets and a continuing increase in the number of bank branches. Across the globe, retail lending has been a spectacular innovation in the commercial banking sector in recent years.

Retail banking services are proving as profitable investment for the banker at a reasonable operating cost, by March 2019 over 52% out of total advances constituted retail lending's, moreover loss suffered through retail lending's are much lesser than other losses of the banking sector by offering other products.

In India both public sector and private sector banks are equally competing with each other towards offering retail banking services, as these services are highly profitable and has reasonable operating cost. In India, retail loans constitute around 7% of GDP which is expected to grow very fast in future because of heavy population in India as compared to other nations.

OBJECTIVES OF THE STUDY

The objective of this paper is to explain the changing banking scenario, to analyze the growth of retail banking and its benefits to the banker in India. The main objectives of the study are:

- To know the meaning of retail banking in India.
- To know the reasons for growth of retail banking services in India.
- To analyze the reason for adopting retail banking services in India.
- To highlight the reason for investment in retail banking services in India.
- To know the benefits to the banker on retail banking services in India.

RESEARCH METHODOLOGY

All information included in this paper is based on Secondary data collected from Books, News papers & Journals and Internet.

Meaning of Retail Banking

It refers to the dealing of commercial banks with individual customer, both on liabilities and assets sides of the balance sheet. Fixed, Current/Savings accounts on the liabilities side; and mortgages, customer's loans on the assets side, are the most important of the products offered by banks. Related ancillary services include credit cards, or depository services.

Reasons for Growth of Retail Banking in India

The prevalence of retail services in India is well known. In the past few years, it is quite consistent in its similarity with main stream banking activities for most of the banks.

In recent years due to retail services, banks profit margin is increased in two-fold and these services also became one of the main functions of the banking sector constituting 52% of total outstanding advances as on March 2019 (RBI Bulletin, 2019 JUNE). The overall loss due to retail services as compared to other primary services constitutes ignorable NPA, hence became one of the profitable activities for the banker.

Following may be considered as the reasons to develop retail banking services in India.

- In India after 1992 due to globalization India's economy is growing at a faster pace and it is expected that the growth rate may reach to 7.8% in the near future, due to this purchasing power of each and every public increases. This may be one of the reasons of introducing retail services to Indian economy.
- India's high population is the notable reason for the growth of retail banking services, by these both quantitative and qualitative services can be offered to public, based on their demand.
- Internet banking, mobile banking, other online services provided are due to innovation in Digital Technology forced the banker to offer different retail services at great speed and at minimum cost
- Due to the privatization of banking sector, the main objective of the banker to mobilize deposits and lending primary loans for profit maximization has declined and hence for the purpose of profit maximization and to survive in the financial market retail loans became a good platform for the banking sector.

- Due to privatization and globalization adaptation of different interest rates for the same product by different banks also gave an idea for the banker to shift towards retail services for profit maximization.

Reasons for Adopting Retail Banking Services in India

Profit is the core reason for the perpetual of a commercial organization:

- It is an indicator of viability, faith and trust to its customers.
- With a gradual slow down of the economy and stiff competition from the foreign multinationals, the traditional products of the bank became risky and the margin of the profit started declining.

Because of the above reason the banks moved towards retail banking services to increase their profit and sustain competition.

Reasons for Investment in Retail Banking Services in India

Profit maximization as it is the key criteria for success.

- Profit is the formula for remaining strong, prosperous and rich.
- Profit is the result and content of business growth.
- Profit is the only avenue for banks to raise capital.

BENEFITS TO BANKS UNDER RETAIL BANKING SERVICES

- Bank can satisfy customer's needs.
- Banks can maintain the customer's relationship.
- Bank can know the customer's perception in competitive banking.
- Banks can analyze customer turnover.
- Bank can know how to keep customers satisfied.
- Banks know about customer value creation.
- Banks can know about customer's benefits.
- Banks can study methods regarding increasing bank revenue.

Bank can Satisfy Customer's Needs

Satisfaction of every customer's genuine need is both a challenge and a golden opportunity to it. There has been a traditional relationship with customers by the bank. This had purely been built on trust safety and ethical standards. All the problems faced by the bank did not change the fact that customers still had faith in them. The key factor in this regard is how bankers and customers deal with each other how banks fulfill their different types of needs such as stated needs, real needs, unstated needs, delight needs and secrete needs.

Banks can maintain the Customer's Relationship

Customer satisfaction is the potential base in competitive banking. The present era of liberalization, disintermediation, deregulation, emergence of vibrant capital market, information technology, global banking and bold new challenges from non banking sector would say that banks to equip them to face rigorous of highly competitive financial market. Banks must better deploy their resources, manage financial operating expenses and dramatically improve customer service towards customer satisfaction. Customer should be made feel proud that they are part and parcel of the bank as customer of product

and services of the bank. The traditional resources based organization of the past is now giving way to the emerging knowledge based organization.

Bank can know the Customer's Perception in Competitive Banking

The customer purchases the bank's products and services to derive satisfaction and acceptance from others. Therefore, customer behavior is determined by the individual and other influences.

There are four basic determinants of customer behavior namely:

- Individual Needs
- Motives
- Perception
- Attitude

The interactions of these four factors cause the customers to act in specific manner. Hence the customer's expectations are sourced out from their own experience, words from friends, information given by banks and from its competitors.

At the time when the bank customers realized the benefits of the banks products and services exceeded their expected benefits, costs of the banks products and services fell short of expected costs. The surplus created results in customer satisfaction.

Degree of satisfaction = customer expectation - actual service given

Banks can Analyze Customer Turnover

Several case studies disclose the bank customers shift loyalty frequently and will not approach banker for the retail banking products due to the following reasons:

- Poor quality of services provided in branches.
- Deregulations of completely or partially controlled economy dealing to more choice.
- Entrance of new competitors in banking.
- Advent of new technologies in banking.

Bank can know, how to keep Customers Satisfied

Customers are not just account numbers to token numbers found in the ledger books of the bank's branch. They are persons with feeling and emotions. The various applications to attain customer satisfaction are:

- Security for customers
- Timely customer service
- Justified service charge
- Speedy customer service
- Value for customers
- Adequacy in customer service

Banks know about Customer Value Creation

The surplus of customer benefits over his expenses is the value created by the customers of the banks. Those customers who enjoy high value creation promote banks through word of mouth among their peer groups. The timely disbursement of loan products avoids availing finance from rural money lenders, and the bank's customers base is expanded from bank in view of value creation.

In this manner, while creating value from customers they will happily become ambassadors of the bank. Then the bank customer feels satisfied with the bank products. By magnifying the benefits and minimizing the cost, value for a customer is maximized.

Banks can know about Customer Benefits

Image value is generally perceptual. The real value of the banks products and services is an indicator of the banks image. Here the customer benefits can be created in the banking industry through the areas banks products, banks services and banks personnel.

- Bank products related benefits are the most important component. Product utility, reliability, versatility, and performance comprise of benefits through the bank product.
- Bank services related benefits timely delivery of banks product and services.
- Bank personnel related benefits include knowledge, responsiveness and co-operation of the bank employee in the bank branches towards customer service.

The present day customers are much more willing to accept risks in order to maintain maximum yields. As customers struggle to maintain their yield they become aware of the existence of investment alternatives to traditional saving products. Customers are buying their products whether at the bank or other institutions, if the bank doesn't educate them about these products someone else will. A retail investment service program has provided many benefits to the bank.

There is a widely quoted statistic in the banking community that if a customer has a one product relationship with a bank there is a 17% chance of keeping that customer in the long run. If the customer has a two product relationship, the percentage is 50%, their product relationship is 75% and if a financial institution has a four product relationship with a customer the institution has a 90% chance of keeping the customer for the long term.

Banks can Study Methods to Increase in Banks Earning

As banks see a decline in their traditional business, they are looking to replace the old services to fee based services like trust services and mortgages but retail investment services have the potential to become one of the most compressive business sectors. A well run, pro-active program can significantly increase the banks earnings.

CONCLUSIONS

In banking sector lots of innovations is happened after globalization and privatization in Indian economy, retail banking services are one of the best innovations made by the banker in the recent years for the purpose of growth and development of Indian economy.

Retail banking offers need based services to each and every different customer as per their income level, as per their preferences, as per their personal satisfaction at lower cost.

India's high population made the banker to offer wide range of products and services through retail banking services for the purposes of maximizing profit and survive in the banking industry through technological developments that are happening in recent years.

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